

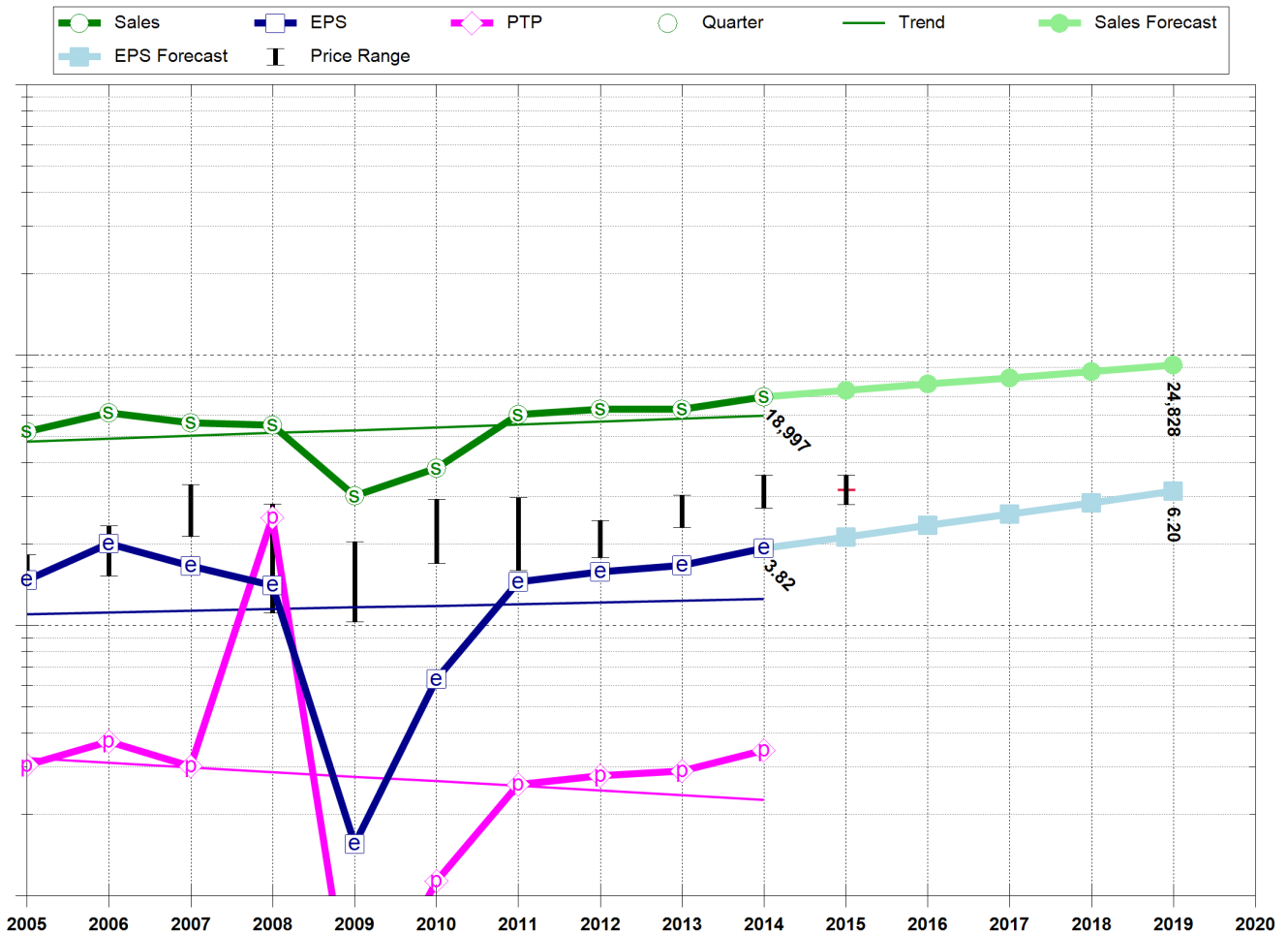
| | | | | | |
|----------------------------------------|------------|--------------|---------------------|---------------|-----|
| Company | PACCAR Inc | | Date | 3/25/2015 | |
| Prepared by | WILSON | | Data taken from | BI Stock Data | |
| Where traded | NAS | Industry | Truck Manufacturing | | |
| Capitalization --- Outstanding Amounts | Reference | | | | |
| Preferred (\$M) | 0.0 | % Insiders | % Institution | | |
| Diluted Shares (M) | 355.8 | 4.7 | 71.3 | | |
| Debt (\$M) | 8,230.6 | % to Tot Cap | 54.9 | % Pot Dil | 0.3 |

Stock Selection Guide

Symbol: PCAR

1 VISUAL ANALYSIS of Sales, Earnings, and Price

| FY2014 Quarter Ending (12/14) | Sales (\$M) | Earnings Per Share |
|-------------------------------|-------------|--------------------|
| Latest Quarter | 5,119.1 | 1.11 |
| Year Ago Quarter | 4,577.1 | 0.94 |
| Percentage Change | 11.8% | 18.0% |



- | | | | |
|-----------------------------------|------|------------------------------------------------|-------|
| (1) Historical Sales Growth | 2.5% | (3) Historical Earnings Per Share Growth | 1.4% |
| (2) Estimated Future Sales Growth | 5.5% | (4) Estimated Future Earnings Per Share Growth | 10.2% |

2 EVALUATING Management

PACCAR Inc

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Last 5 Year Avg. |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|
| Pre-tax Profit on Sales | 12.6% | 13.2% | 11.6% | 97.8% | 2.2% | 6.4% | 9.2% | 9.6% | 9.9% | 10.6% | 9.1% |
| % Earned on Equity | 28.4% | 33.2% | 24.2% | 20.8% | 2.2% | 8.5% | 19.0% | 18.9% | 17.6% | 20.0% | 16.8% |
| % Debt To Capital | 61.6% | 62.0% | 61.1% | 60.7% | 54.3% | 49.6% | 55.4% | 57.4% | 55.9% | 54.9% | 54.7% |

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

PRESENT PRICE 62.6

HIGH THIS YEAR 71.15

LOW THIS YEAR 55.34

| | | A | B | C | D | E | F | G | H |
|-----------------------------------|-------------|-------|------|-----------|-----------------------------------|-----------|-----------|-------------|--------------|
| | Year | Price | | Earnings | Price Earnings Ratio | | Dividend | % Payout | % High Yield |
| | | High | Low | Per Share | High A / C | Low B / C | Per Share | F / C * 100 | F / B * 100 |
| 1 | 2010 | 57.8 | 33.5 | 1.25 | 46.3 | 26.8 | 0.39 | 31.2 | 1.2 |
| 2 | 2011 | 58.8 | 31.6 | 2.86 | 20.5 | 11.0 | 0.60 | 21.0 | 1.9 |
| 3 | 2012 | 48.2 | 35.2 | 3.12 | 15.4 | 11.3 | 0.78 | 25.0 | 2.2 |
| 4 | 2013 | 60.0 | 45.4 | 3.30 | 18.2 | 13.8 | 0.80 | 24.3 | 1.8 |
| 5 | 2014 | 71.2 | 53.6 | 3.82 | 18.6 | 14.0 | 0.86 | 22.5 | 1.6 |
| | AVERAGE | | 39.8 | | 23.8 | 15.4 | | 24.8 | |
| | CURRENT/TTM | | | 3.82 | | | 0.88 | 23.1 | |
| AVERAGE PRICE EARNINGS RATIO 19.6 | | | | | CURRENT PRICE EARNINGS RATIO 16.4 | | | | |

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 19.00 X Estimate High Earnings/Share 6.20 = Forecasted High Price \$ 117.8

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 15.38 X Estimate Low Earnings/Share 3.82 = Forecasted Low Price \$ 58.8

(b) Avg. Low Price of Last 5 Years 39.8

(c) Recent Market Low Price 45.42

(d) Price Dividend Will Support $\frac{\text{Present Dividend}}{\text{High Yield}} = \frac{0.880}{1.60\%} = 55.0$

Selected Forecasted Low Price \$ 61.1

C ZONING using 33%-33%-33%

Forecasted High Price 117.8 Minus Forecasted Low Price 61.1 = 56.7 Range. 33% of Range 18.9

Buy Zone 61.1 to 80.0

Hold Zone 80.0 to 98.9

Sell Zone 98.9 to 117.8

Present Market Price of 62.63 is in the **Buy** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{117.8 - 62.63}{62.63 - 61.1} = \frac{55.17}{1.51} = 36.5$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Present Market Price}}{\text{Present Market Price}} = \frac{117.8 - 62.63}{62.63} = 1.88$ X 100 = 188.09 - 100 = 88.1 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Present Full Year's Dividend \$}}{\text{Present Price of Stock}} = \frac{0.88}{62.63} = 0.01 = 1.4\%$ Present Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{24.8\%}{19.00} = 1.3\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{24.8\%}{17.19} = 1.4\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 13.5 %
Average Yield 1.3 %
Annualized Rate of Return 14.8 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 11.2 %
Average Yield 1.4 %
Annualized Rate of Return 12.7 %